

AN HISTORICAL OVERVIEW OF THE AMERICAN ART MARKET

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Traditionally, what we call the American Art market comprises well over two centuries of art ranging chronologically from the late 18th century to the works of the recently deceased Andrew Wyeth. There is no precise methodology for determining which artists are defined as belonging to this category. Over the last thirty years, the nomenclature has gone through periodic alterations with auction catalogue headings at Sotheby's and Christie's changing from "19th and 20th Century American Paintings and Sculpture" to the more inclusive "American Art." Despite the varying appellations, the art at the heart of this marketplace tells the story of the nation's history through such readily identifiable categories as Colonial portraiture, Hudson River School landscape painting, and mid-19th century realist scenes of quotidian life, also called "genre" painting. In the post Civil War era, in what is regarded as the American Renaissance, American artists cast a wide stylistic net, finding a national footing in the Aesthetic movement, Tonalism, Realism, Impressionism, Post-Impressionism, and Illustration. In the early 20th century, the artists of the Ashcan school turned to the rapidly transforming American cities, especially New York and its polyglot communities for their subject matter, while modernist artists of the teens and '20s were enthralled by the kinetic energy of a new world of automobiles and skyscrapers. Other early 20th century artists

shunned the world of machines and found respite and inspiration in nature and the American heartland. While the first generation of American abstraction and expressionism flourished in the years following World War I, by the '30s Edward Hopper was producing his realist images of America, Thomas Hart Benton his paintings of rural midwestern farmers and foods, and Georgia O'Keeffe her visionary landscapes of the New Mexico desert.

The sheer variety of American art is obviously the story of America itself and its growth over two centuries; however, at some point, the marketplace arbitrarily chose to separate the art produced after World War II - beginning with the New York School of Abstract Expressionists and Color Field painters and the trends and movements that followed in their wake - from the art that had come before. With the benefit of hindsight, this has, arguably, had an unexpected and long-evolving effect on the current market, which has seen the Contemporary market (which itself has really become two markets: that of Post War art and the art being produced today in real time) largely overshadow the American Art market.

Historically, the public sector (as opposed to private art dealers and galleries) of the Contemporary market was launched in 1971 in New York at Parke Bernet Galleries subsequently Sotheby's Parke-Bernet, now Sotheby's. According to David Nash, then head

of Impressionist and Modern Paintings at Parke-Bernet, and who founded the firm's Contemporary Department, the breakthrough for Contemporary art occurred with Parke-Bernet's 1973 sale of the Robert Scull collection, most of which had been purchased in the 1960s and contained no pre-Pop or pre-Abstract Expressionist works. Through the 1980s, the Contemporary market remained small and, as Nash points out, the art produced in the '70s and '80s was bought mostly from dealers and had almost no resale value either at auction or privately. Like a car, the moment a work left the showroom it lost half its value. It was also a truly contemporary market, as many of the artists such as Warhol, de Kooning, Johns, Rauschenberg, Motherwell, Newman, Rothko, Noland, Kelly, Gottlieb, among others, were still alive; and their more recent work proved a much more difficult proposition at public sale. Only their production from the '50s and '60s was remotely saleable at auction during the 1970s.

In the '50s and '60s when dynamic collectors like Burton and Emily Tremaine and Robert and Ethel Scull were scouring the downtown lofts of contemporary New York artists as well as the uptown galleries who represented them, the upper echelons of sophisticated tastemakers in the East continued the tradition of collecting earlier American art. A generation of collectors such as David, Laurance, and Blanchette Rockefeller, John Hay Whitney, Joan Whitney Payson, Norman Woolworth, Paul Mellon, Thomas Mellon Evans, Ogden Phipps quietly bought first-rate works by 19th and 20th century American artists including Winslow Homer, Thomas Eakins, Maurice Prendergast, Charles Prendergast, Childe Hassam, John Singer Sargent, James McNeil Whistler, George Bellows, Edward Hopper, Charles Demuth, Charles Sheeler, Arthur Dove and Georgia O'Keeffe, while also building major collections of European Impressionist and modern art. These collectors followed in the tradition of families tied to the legacy of American success and power, and made the fundamental connection of early 19th and 20th century American painting to the larger narrative of America and their own forebearers. In another part of the country, Texas and Oklahoma, self-made businessmen like Sid Richardson, Amon Carter, and Thomas Gilcrease were building collections around the works of Frederic Remington, Charles M. Russell, Albert Bierstadt and Thomas Moran, identifying more

with their romantic visions of the West than their eastern counterparts. As early as the 1940s, Thomas Watson, the founder of IBM, nearly single-handedly built the IBM Collection of American 19th century and early 20th century paintings which became one of the most important corporate collections of its kind. Thus, continuing into the present, the American Art field has been completely dominated by American buyers, though there has been intermittent interest among international collectors in the last thirty years; works by artists as varied as Edward Hopper, Norman Rockwell, Grandma Moses, Georgia O'Keeffe, John Singer Sargent, James McNeil Whistler and Andrew Wyeth have entered European and Asian collections. The most significant foreign collector was Baron Thyssen-Bornemisza, who assembled a comprehensive American collection during the 1980s and '90s that is now housed in the Thyssen-Bornemisza museum in Madrid.

By the mid '80s, the American and Contemporary Departments were neck and neck in revenues at Sotheby's, and the need for supply on both fronts was ever-present. Though there was little overlap between the departments, every so often there would be a minor squabble over which department should handle a specific artist. For example, Milton Avery's semi-abstract paintings were sold by the American Paintings Department; the question arose at some point if perhaps his works shouldn't be handled by the Contemporary Department. Given Avery's interpersonal and artistic relationships with Rothko and Gottlieb, and his general relationship to the mid 20th century art world, he likely should have been. However, such is the arbitrary nature of the marketplace that since the supply of Contemporary art began to expand and then outpace the supply of American art by the late '80s, there ceased to be a tug-of-war and Avery remained in the American sales. To put the relativity of the two departments into perspective, when I arrived at Sotheby's in 1985 to work in what was then called the American Paintings and Sculpture Department, revenues for that department were ahead of those of the Contemporary department. In fact during the first half of the '80s the three greatest revenue producing departments at Sotheby's were Impressionist and Modern Art, Jewelry, and American Paintings, in that order. In 1979, Frederic Church's *Icebergs* sold at Parke-Bernet for a record \$2.79 million (£1.3m). In 1980, Jasper Johns'



Rembrandt Peale, Rubens Peale with a Geranium, Oil on canvas, 1801

Three Flags, sold privately to the Whitney Museum for \$1 million (£475,000), the highest price ever paid for a work by a living artist and an event that made the front page of the New York Times. In December 1985, my first auction, a record for an American work of art was set when Rembrandt Peale's Rubens Peale with a Geranium, owned by Mrs. Norman B. Woolworth, sold to the National Gallery in Washington for \$4.07 million (£2.7m), outstripping the previous Church price. From that moment on American art rode a rising tide with the rest of the art market until the recession of the early 1990s. Recovering by the mid '90s, the market adjusted to a new price structure when great American paintings started selling for unprecedented prices. In 1998 Winslow Homer's *Lost on the Grand Banks* sold privately for a reported \$35 million (£21.5m). In 1999, George Bellows' *Polo Crowd*, once part of John Hay Whitney's collection, sold for \$27.5 million (£17.3m) at public auction at Sotheby's. In 2004, the Rita and Daniel Fraad collection appeared at public sale and sold for \$65 million (£36.8). Combined with the other works which we sold that day at Sotheby's, the combined sale total was a memorable \$108 million (£61m), which remains a record for an American Art auction. The next highest sale total was \$87 million (£53m) in May 2008 at Sotheby's, which proved to be the last gasp

of a booming market that ended decisively that fall with the collapse of Lehman Brothers.

From 1985 to 2008, the number of collectors in the American market proliferated and new buyers entered the market at a rapid pace. Wall Street and hedge fund money, Hollywood executives and actors, and newly-minted tech moguls helped expand and drive the market. Currently, the newest and youngest collectors are entering the Contemporary market while the number of buyers in the American field has not grown at a similar pace or experienced the type of global expansion that feeds a press and public avid for reports of astronomically rising prices. I once asked a collector of American art why he had recently switched to collecting Contemporary: his answer, "I love the lifestyle, the fairs, the parties." Beyond this apparent glamour factor, I would argue that the bigger issue facing the American market is not demand, but the problem of supply. Obviously, the supply of Contemporary art expands exponentially every decade, as artists continue to create new art, while long-passed American artists obviously do not. Also 19th and earlier 20th century artists were not hugely prolific like their European counterparts, such as Monet or Picasso. The average body of work by American artists is a good deal smaller by comparison. Equally important, the best works which have changed hands over the past twenty-five years rarely reappear on the market. This stands in stark contrast to the Contemporary market, where the same Warhol can trade multiple times in less than a decade, and artists such as Warhol, Koons, Hirst along with others created enterprises which could produce works in multiples and numbers unthinkable to the traditional artist who worked painstakingly with brush and canvas. Private buyers of American art, with a few exceptions, have consistently either held onto the most important works in their collections, or bequeathed them to institutions. Bill and Melinda Gates, Alice Walton/Crystal Bridges, and other high-powered but less well-known collectors who make an effort to remain anonymous, have bought many of the best pictures offered over the last twenty years, not for speculative purposes, but to build important, lasting collections in the name of public patrimony.

The way business is conducted in the American Art market has also changed dramatically. Until the late '80s, the auction market was dominated by dealers

who bought much of their inventory at auction, marked it up and resold it to collectors. A dealer's stamp of approval on a given work or the prestige of specific dealers on Madison Avenue and 57th street helped lubricate the machinery that made the market function. Galleries competed directly with the auction houses and each other for consignment property and put on major exhibitions to draw both established and new clients. Galleries such as Kennedy, Newhouse, Knoedler, Hirschl & Adler, Coe Kerr, Ira Spanierman, Dannenberg, Andrew Crispo, Graham, Alexander, Adelson, Richard York, Jordan-Volpe were among New York's most active galleries. Collectors not only traveled to New York twice a year for the auction sales, but made frequent trips to scout the galleries and uncover new treasures. Today, this portion of the American market has become largely moribund. Through attrition and other factors, the best-known galleries have scaled down or closed and the older generation of dealers have ceded much of their influence. Advisors and curators have become increasingly important and have also undercut the power dealers once possessed. Currently, some of the most valuable American artworks trade on a quiet one-on-one basis through discreet dealers and advisors who have no galleries or commercial venues. Most of the current galleries and dealers have neither the clout nor the credentials the older, established galleries once had, and increasingly rely on fairs to bring in new clients and show their wares. While fairs are a driving force in every category of collecting, many Contemporary galleries/dealers have large commercial operations, put on major exhibitions and move markets. In the Contemporary market, the dealers' names are invariably better-known and more publicized than many of the artists they represent.

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During the '80s and late '90s, when the American market hit its stride and noticeably expanded, both Sotheby's and Christie's averaged around 250 lots in

their bi-annual May and December sales. Beginning in the late '80s, the Contemporary department started averaging 300 to 400 lots; as the years went by every decade saw a rash of new artists introduced into the public auctions by shrewd dealers and savvy sellers, and since the mid 2000s, Contemporary auctions have been averaging 600 to 700 lots in their combined evening and day sales. Even while the prices of American 19th and 20th century paintings continued to dramatically rise in the mid 2000s, it started to become more and more difficult to find the material to engage the marketplace. By contrast, if one looks only at the Contemporary auction catalogues for each season, the sheer volume of works being offered for sale is overwhelming and seemingly endless. From a speculator's or trader's point of view, whether a dealer or a private individual, this volume feeds the velocity of transactions driving prices and profits. The Contemporary market has become an open trading floor where the works of Post-War and Contemporary artists are bought, sold and flipped by a number of well-connected insiders who understand the dynamics of the art world and are able to move markets along with newer buyers eager to get in on the action. Of course there is also the vital international component: Russian, Chinese, Arab and European players who have entered the market, mostly at the top levels, are investing vast new fortunes, and even national wealth in a drive to achieve cultural status and recognition. The globalization of the Contemporary art market and its widespread coverage in newspapers, magazines, social media and the Internet, has made it accessible to a vast audience. For many of these new buyers and observers on the sidelines, prices are the main point of reference and value, with art historical context, aesthetics, or even meaning no longer relevant. It will be interesting to see how this all shakes out in the future, when those who have supported certain artists and helped drive up prices have moved on. It may be that collectors are left with holdings whose resale value will be severely tested when the frenzy quiets, the music slows, or key international players drop out unexpectedly.

The American Art market is simple by comparison and easy to understand; it is one in which experienced dealers, scholars and collectors can quickly identify gradations of quality and value. The art history books have been written, the canon of artists and

their relative place in the pantheon cemented. While individual tastes differ, the relative importance of specific artists and the measurable quality within their oeuvre in the American market is predicated on an established and accepted hierarchy. Any competent professional or truly knowledgeable participant in the field should be able to judge a work by similar parameters and arrive at similar conclusions. Much like Old Master and Impressionist art, American paintings carry the gravitas and contextual certainty of history. I would, however, argue that the condition of a work of art can be more subjective -- collectors have different standards and a work of art's condition can generate questions that will result in different answers. The impact of condition issues is not as readily defined as a work's quality or importance; it is a variable that inevitably relies on a blend of science and expertise.

The American market, which is generally correlated to the American economy and the psychological mood of America's wealthiest 0.25%, has bounced back considerably from 2008-2011, when the financial crisis and recession took a crushing toll. However, if one was to mistakenly judge the market based on auction sales alone, the last couple of seasons would appear confusing, and often contradictory. The top lot in the May 2013 sales was Edward Hopper's *Blackwell's Island* which sold for \$19,163,750 (£12.7m) at Christie's. The owner had declined a private offer at precisely the same level shortly before the sale, opting instead to gamble on a "dark horse" emerging at auction to drive the price higher. While this did not occur, the price was still a respectable result and improvement on the season before, when in December 2012, Hopper's *Bridle Path*, a more atypical example of the artist's work sold for \$10,386,500 (£6.6m) at Sotheby's. The top price prior to December 2013, was the \$26,896,000 (£13.8m) sale of *Hotel Window* at Sotheby's in 2006 at the height of the market. It is noteworthy in looking at the larger picture of the market to recall that this iconic, archetypal figural Hopper had sold previously at public auction at Sotheby's in 1987, for \$1,320,000 (£730,000). If *Hotel Window* were put up for sale today, it would no doubt achieve a new record price; such is the special demand for the most important works by this artist.

While almost all American 19th and 20th century art has appreciated with the rest of the market in the last 25

years, it is, not surprisingly, the masterworks by blue chip artists that have appreciated the most. While there wasn't an enormous amount of quality works to choose from the May sales, the results were solid nevertheless. The Christie's sale total of \$50,848,750 (£33.56m) was the highest for an American Art auction since the downturn in 2008. Sotheby's much smaller sale the day before, offered so few major works, that it is difficult to interpret the meaning of the result. In addition, approximately one third of their \$28,087,750 (£17m) total came from the sale of works by Norman Rockwell.

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Of the roughly 200 lots offered by both houses in May 2012, just 27 lots sold for over \$500,000 (£330,000), and of these 27 lots, 14 sold for over \$1 million (£660,000). Artists who fared well vis a vis their estimates were Georgia O'Keeffe, Maxfield Parrish, Milton Avery, and Norman Rockwell. There is no question that the market for Norman Rockwell is one of the healthiest and broadest, and has been for the last twenty years. His works are beloved by all and have crossed over to collectors outside the field of American Art, as have Hopper's. In looking at the overall market, one can conclude from the May results that auction sales have become a much smaller segment of the wider marketplace, especially for works over \$500,000 (£330,000), than before the recession. This should come as no surprise; when confidence is shaken and upside seems limited, people tend to shy away from the uncertainty of auction and sell privately. In the same time frame, dealers and advisors reported consistent private demand for works over \$500,000 (£330,000). My own personal experience suggests the market may be strongest for American art over \$2 million (£1.3m). Collectors understand the value of buying the best and are more willing to make commitments at these levels across all the categories of both 19th as well as 20th century American art. Interestingly, the demand for great western works of art continues to increase as more collectors across the country buy western paintings and bronzes. It has not been lost on savvy market watchers that American art now seems vastly undervalued compared to the extraordinary prices currently being paid for Contemporary and European works.

This past December, the bi-annual sales at Christie's and Sotheby's took an interesting and mostly positive turn. Both houses posted impressive sale totals: Sotheby's, \$83,915,500 (£51m), Christie's, \$77,790,500 (£46.8m). Compared to the previous May sales, these totals were a considerable jump and close to the record highs of 2004 and 2008. However, as is usually the case, the numbers tell only one side of the story; peeling back the multiple layers underscoring these figures helps to understand the fuller context.

Sotheby's assembled a small sale of 68 lots. There continues to be some grumbling that this limited a selection doesn't offer enough critical mass to interest the market place, but the amazing outcome of the sale likely quieted some of the criticism. A breakdown of the sale reveals that 7 Norman Rockwells belonging to the Stuart family, whose father was the art director of the *Saturday Evening Post* and a close colleague of Rockwell's, accounted for \$60 million (£36.4m) of the \$84 million (£51m) total. One Rockwell, *Saying Grace* which is, arguably, the artist's most iconic work, sold for the astonishing sum of \$46 million (£27.9m). People in the room could hear one Sotheby's representative speaking Japanese while bidding on the telephone with his client. This client, who ended as the underbidder, was not a new buyer, but someone who had been interested in this particular Rockwell for many years. As seen in the Contemporary sales, international interest can make all the difference in achieving an unprecedented price. The final buyer was an American collector who is well-known to everyone in the industry; he has been a consistent buyer of American illustration for over twenty years and is building a museum devoted to it. This most famous of all Rockwells would be a must-have for any museum of this kind. He also appears to have bid on nearly every other illustration in the sale. In all, works by the American illustrators, Rockwell, Parrish and N.C. Wyeth, were responsible for \$65 million (£39.4m) of the \$84 million (£51m) total, a highly unusual result. The rest of the sale, approximately \$19 million (£11.5m) worth of American art, did respectably and felt more solid than the previous May.

Christie's had a much larger sale, comprising 170 lots, with perhaps too many mediocre and aggressively-

estimated pieces. The contrasting strategies suggest a better middle ground could be entertained next time: perhaps more product and risk at Sotheby's, less product with a bit more discretion at Christie's. Despite a number of lots that failed to sell, there seemed to be more enthusiasm for and upside to many of the works which did sell successfully. The top lot was Edward Hopper's *East Wind over Weehawken*, which sold for \$40,485,000 (£24.7m). This tremendous price blew well past the previous Hopper auction record of \$26,896,000 (£13.8m) from 2006. A similar pattern to the Rockwell emerges when one considers that the determined underbidder was a young Asian woman who sat openly in the Christie's salesroom and bid with her paddle. A colleague of mine sitting two seats away noticed she had tears in her eyes when she failed to get the picture and left immediately afterward. Thus the influx of international money made an exponential difference in the two highest prices of the week.

Between the two houses, of the 240 works offered for sale, 38 sold for over \$500,000 (£305,000), with 18 of those in excess of \$1 million (£610,000) - an improvement from last May and a further sign that the market continues to rebound and gain ground. Skewing this outcome, however, is the fact that two pictures alone accounted for approximately 52% of the dollar volume in sold works. While there has always been a dichotomy between the market for masterworks and everything else, these results are testimony to the mercurial impact of global wealth on the art market. It is important to emphasize, once again, that this is not the first time there has been international participation in this market.

As the American Art market evolves in this era of ever escalating prices for Contemporary art, it may be that the mania for what is new will eventually mature into a deeper global appreciation for what has been proven historically important and to retain value over time. Though slower to break through to new economic heights and reach beyond the market's marquee names, it seems likely that in time, a new generation of both domestic and foreign collectors will recognize the value inherent in America's more distant cultural and artistic heritage. ■